

Message Text

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SUBJECT: FRG FOCUS ON BRAZIL

REF: 75 BONN 20319

SUMMARY: "GREATER GERMAN GLOBAL INVOLVEMENT" (REFTEL SEEMS TO HAVE FOCUSED ON BRAZIL AS MAJOR TARGET COUNTRY. WHILE FRG HAD VARIOUS

MOTIVES FOR REACHING NUCLEAR AGREEMENT, ACCORD HAS GIVEN IT POLITICAL WEIGHT IN ADDITION TO ALREADY SIZABLE TRADE AND INVESTMENT POSITION: IN BOTH AREAS, FRG WAS (THROUGH 1974) FOR BRAZIL SECOND IN IMPORTANCE ONLY TO US. FRG EFFORT IN BRAZIL POSES PROBLEMS FOR US OF COMPETITION AND POTENTIAL POLICY DIVERGENCE, BUT GERMAN INFLUENCE IN BROADER TERMS COULD BE POSITIVE FROM OUR POINT OF VIEW. END SUMMARY.

2. THE "GREATER GERMAN GLOBAL INVOLVEMENT" MENTIONED IN REFTEL SEEMS TO US TO HAVE FOCUSED ON BRAZIL AS A MAJOR TARGET COUNTRY WORTHY OF SPECIAL EFFORT. CERTAINLY, WHILE 1975 HAD A VARIETY OF FOREIGN-AFFAIRS HIGHLIGHTS FOR BRAZIL, IT WAS IN ONE VERY

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SIGNIFICANT RESPECT THE YEAR OF GERMANY--THE YEAR OF

"NUCLEAR INDEPENDENCE", AS THE PHRASE HERE HAD IT.

2. THE NUCLEAR AGREEMENT, THAT IS, HAD DIMENSIONS BEYOND THE SIMPLE FACT THAT IT WAS WITH GERMANY: (1) IT OFFERED THE PROSPECT OF ACHIEVING UNILATERAL NUCLEAR-EXPLOSION CAPABILITY AT SOME POINT DOWN THE LINE: (2) IT WAS NOT WITH THE US: AND (3) IN FACT IT WAS REACHED DESPITE WHAT THE PRESS HERE REPEATEDLY CALLED HEAVY US PRESSURE.

3. THESE ELEMENTS COMBINED TO GIVE THE GERMAN POSITION IN BRAZIL A KIND OF IMPORTANCE THAT SOMEWHAT SEPARATED THE FRG FROM THE RANKS OF ITS FELLOW EUROPEANS, WHOSE REPRESENTATIVES' NORMAL LINE HERE IS THAT THEIR INTERESTS IN BRAZIL ARE EXCLUSIVELY COMMERCIAL. IN ASSUMING--OR HAVING BESTOWED UPON IT--THE ROLE OF BRAZIL'S NUCLEAR PARTNER AND BENEFACTOR, GERMANY ACQUIRED IPSO FACTO A KIND OF POLITICAL WEIGHT AS WELL: AND BECAUSE THE US HAD TRADITIONALLY PLAYED THAT ROLE, GERMANY ALSO SUDDENLY LOOMED AS AN ALTERNATIVE TO THE US AS A KIND OF SPECIAL PARTNER WITHIN THE WESTERN ALLIANCE. (FYI. THIS LAST POINT WAS SPECIFICALLY FLOATED BY FOREIGN MINISTER SILVEIRA WITH AN IMPORTANT EDITORIAL WRITER. END FYI.) IN THIS RESPECT THE FRG HAS A PARTICULAR APPEAL, IN THAT PREVIOUSLY, THE SOVIET UNION AND CHINA WERE MOST OFTEN IDENTIFIED AS THE LOGICAL CHOICES FOR RELATIONSHIPS WHICH EXPRESSED INDEPENDENCE OF THE US, AND WHILE THE FOREIGN MINISTRY HAS SHOWN NO APPRECIABLE DISCOMFORT AT PURSUING SUCH IDEOLOGICALLY STRANGE BEDFELLOWS, THE MILITARY HAS.

4. FOR ITS PART, THE FRG SEEMS LIKELY TO HAVE CONSIDERED BRAZIL A PRIME CANDIDATE FOR ATTENTION AS PART OF GREATER GLOBAL INVOLVEMENT: IT OFFERS, AT LEAST COMPARED TO OTHER DEVELOPING COUNTRIES, A STABLE POLITICAL SITUATION, A GROWING ECONOMY, A GOOD CREDIT RATING, DECENT TREATMENT OF FOREIGN INVESTMENT, SIGNIFICANT MINERAL AND OTHER NATURAL RESOURCES, AND A LARGE AND RAPIDLY GROWING MARKET. BONN IS ALSO PROBABLY INFLUENCED BY THE FRG'S ALREADY STRONG INVESTMENT POSITION IN BRAZIL, WITH ITS TOTAL INVESTMENT HERE--HEADED BY VOLKSWAGEN--RANKING SECOND AFTER THE US. (THE BRAZILIAN CENTRAL BANK FIGURE FOR CONFIDENTIAL

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GERMAN INVESTMENT AS OF 1974 IS \$710 MILLION. WE NOTE THAT COMPARABLE FIGURE FOR US IS \$2.02 BILLION, IN CONTRAST TO US DOC FIGURE OF \$3.3 BILLION: LATTER IS BOOK VALUE.) THE FRG PRESUMABLY ALSO HAS IN MIND-- AND INDEED MAY OVERESTIMATE, AS OTHERS DO--BRAZIL'S WEIGHT AND INFLUENCE IN INTERNATIONAL FORUMS IN GENERAL AND LDC COUNCILS IN PARTICULAR. IN ADDITION, THERE IS THE FACT OF PRESIDENT GEISEL'S GERMAN ANCESTRY, WHICH WHILE

ONLY ATMOSPHERIC AS A FACTOR IN RELATIONS HAS NEVERTHELESS SERVED TO DRAW ATTENTION TO THE SIZABLE GERMAN COLONY AND CULTURALHERITAGE HERE. (WE HAVE HEARD, IN FACT THAT GEISEL AND GENSCHER SPOKE TO EACH OTHER IN GERMAN, ALTHOUGH WE UNDERSTAND GEISEL IS NOT FLUENT.)

5. IN ANY EVENT, THE FRG IS OBVIOUSLY INTERESTED, AND THE DIVERSE ACTIVITIES OF ITS RELATIVELY LARGE AND EFFECTIVE EMBASSY REFLECTS THIS INTEREST. IN NAILING DOWN THE NUCLEAR AGREEMENT (WHICH, IN EMBASSY VIEW, IT VERGED ON IRRESPONSIBILITY IN DOING), GERMANY WAS OF COURSE NOT ONLY ATTAINING AN ENHANCED POLITICAL IMPORTANCE HERE BUT ALSO MAKING A DEAL OF CONSIDERABLE COMMERCIAL SIGNIFICANCE. (AS THE EUPHORIA OF "NUCLEAR INDEPENDENCE" HAS WORN OFF, IN FACT, IT HAS COME TO BE COMMENTED HERE THAT BRAZIL WILL IN EFFECT BE PAYING FOR THE DEVELOPMENT OF A GERMAN ENRICHMENT PROCESS.) WE ALSO UNDERSTAND THAT WHILE THE FRG'S OVERALL ASSISTANCE BUDGET FOR 1976 WAS CUT, ITS AID TO BRAZIL WAS NOT.

6. ON THE OTHER HAND, WHILE THE FRG RANKS AS BRAZIL'S SECOND MOST IMPORTANT INDIVIDUAL TRADING PARTNER (AFTER THE US), TRADE FIGURES FOR THE 1966-74 PERIOD SHOW THE FRG'S PERCENTAGE OF BRAZIL'S IMPORTS AND EXPORTS AS REMAINING ESSENTIALLY THE SAME, HOVERING IN THE 10-14 AND 7-9 RANGES RESPECTIVELY. ALSO, WE UNDERSTAND THAT GERMANY HAD VARIOUS MOTIVES, NOT JUST POLITICAL AND COMMERCIAL BUT ALSO HAVING TO DO WITH ITS PARTICULAR POSITION AS A NUCLEAR SUPPLIER SUBJECT TO UNIQUE RESTRICTIONS, IN STRIKING THE NUCLEAR DEAL WITH BRAZIL. FINALLY, WE ARE NOT SURE THAT GERMANY IS IN BROADER TERMS MAKING MORE OF AN EFFORT IN BRAZIL THAN ARE CERTAIN OTHER COUNTRIES, MOST NOTABLY JAPAN. (WE ARE NOW ATTEMPTING TO RESEARCH IN DEPTH, WITH A VIEW TO REPORTING ON, THE TRADE AND

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IVESTMENT EFFORTS OF OUR PRINCIPAL COMPETITORS IN BRAZIL.)

7. IN ANY CASE THE FRG'S EFFORT IN BRAZIL IS SERIOUS AND SIGNIFICANT. AS REFTEL INDICATED, THIS POSES PROBLEMS FOR US OF TRADE AND OTHER TYPES OF COMPETITION, AND OF POSSIBLE POLICY DIVERGENCE ON SPECIFIC MATTERS IN THE FUTURE: BUT ON THE OTHER HAND, GERMAN INFLUENCE ON BRAZIL IN BROADER TERMS COULD BE POSITIVE FROM OUR POINT OF VIEW.

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